

Fiscal Year 2010 Budget Preview and Worksession – PART I



City of Rockville, Maryland

Presented by: Stacey Tate, Budget and Finance Manager

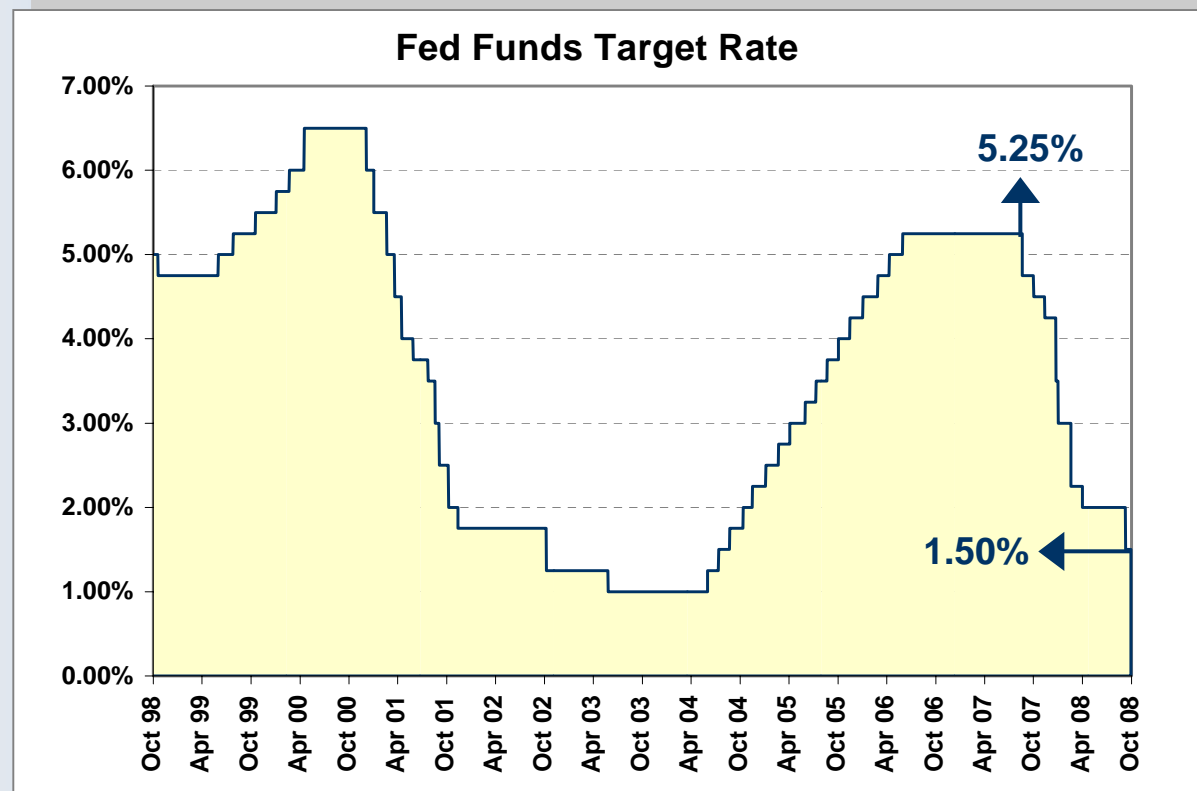
October 27, 2008

Presentation Agenda

ECONOMY	✓ Economic Overview
POPULATION	✓ Rockville's Population
GENERAL	✓ General Fund
WATER	✓ Enterprise Funds
SEWER	✓ Special Revenue Funds
REFUSE	✓ CIP Budget and Prioritization Process
PARKING	✓ Department Reports – PART I
SWM	
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REPORTS	

National Economy

- ✓ Due to the turmoil in the housing and financial markets, the Federal Open Market Committee began aggressive rate cuts in Sept. 2007 (375 bps)



Source: http://www.wsjprimerate.us/fedfundsrate/federal_funds_rate_history.htm

ECONOMY

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Regional Economy

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- ✓ **Retail Sales – Overall sales of goods were down 1.7% for the first part of 2008**
 - Utilities and Transportation ↑6.5%
 - Food and Beverages ↑4.6%
 - General Merchandise ↑4.2%
 - Building and Industrial Supplies ↓14.1%
 - Furniture and Appliances ↓10.8%
 - Automotive ↓4.4%

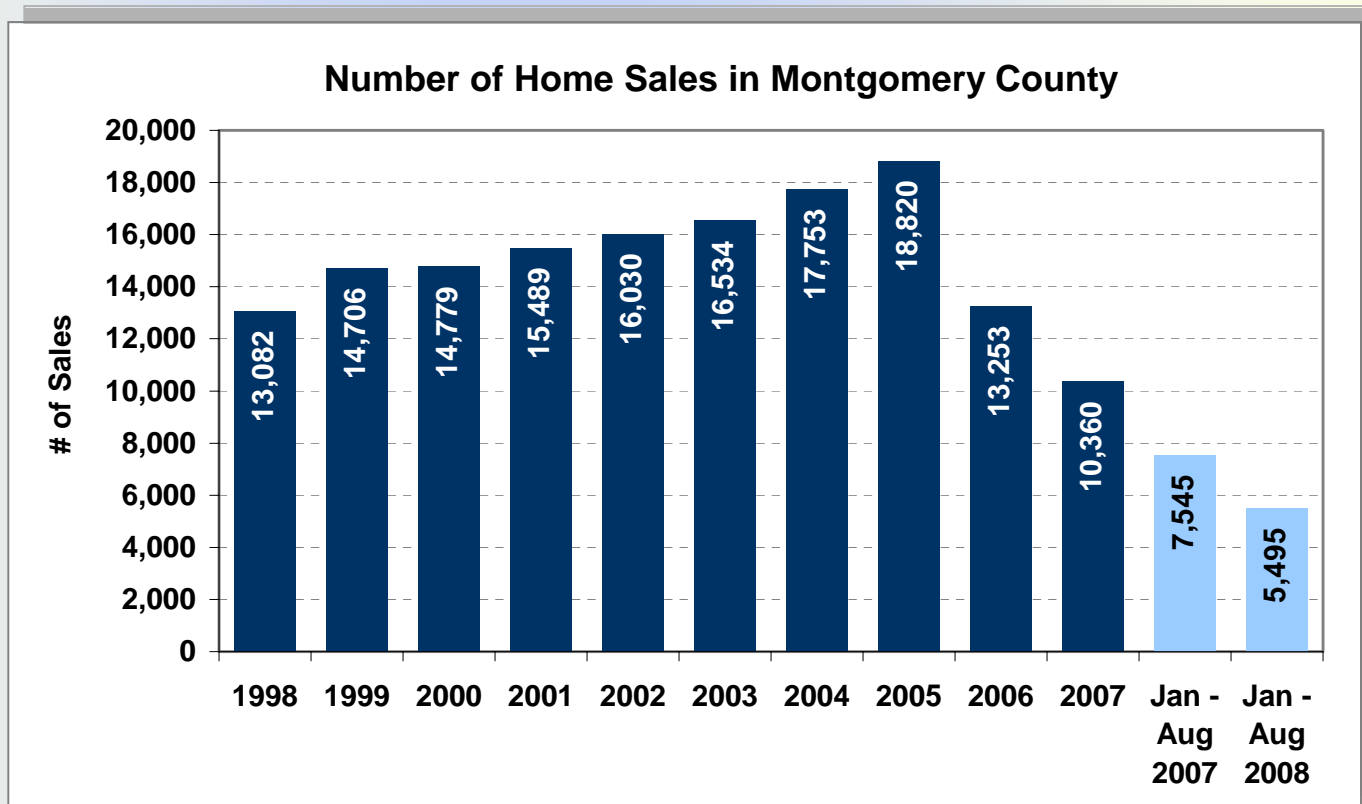
- ✓ **Consumer Prices – ↑5% on a year-over-year basis (largest increase recorded since the CPI for the region was developed in 1996)**

- ✓ **Unemployment – Still below national average**
 - National – Current 6.1% (2007 4.6%)
 - Maryland – Current 4.5% (2007 3.6%)
 - Montgomery County – Current 3.2% (2007 2.7%)

Source: Montgomery County, Department of Finance, Economic Indicators, July 2008.

Housing - Home Sales

- ✓ Drastic decrease in the number of home sales (↓27% from Jan. to Aug. 2007 to the same period in 2008)

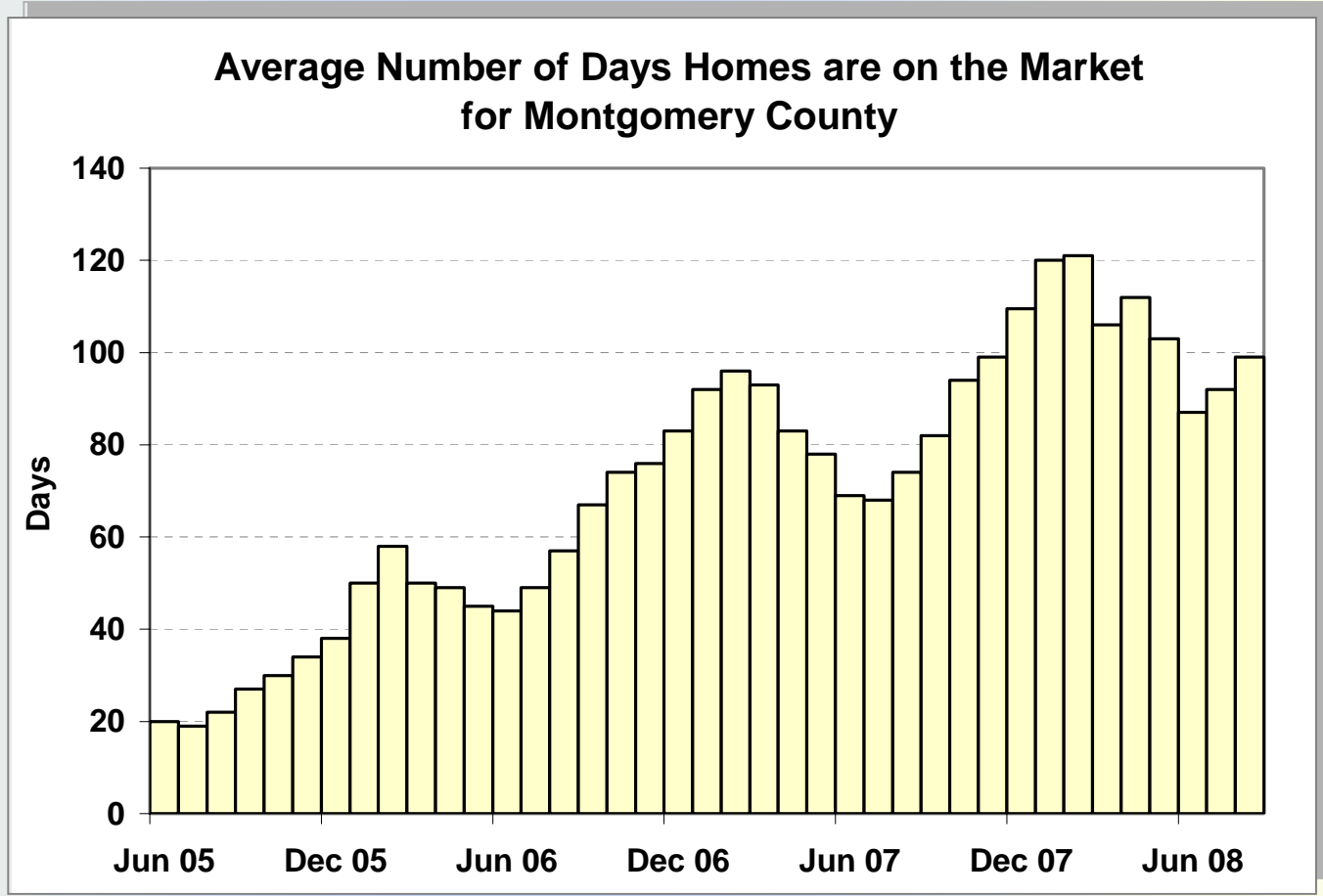


Source: Montgomery County, Department of Finance.

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Housing - Days on the Market

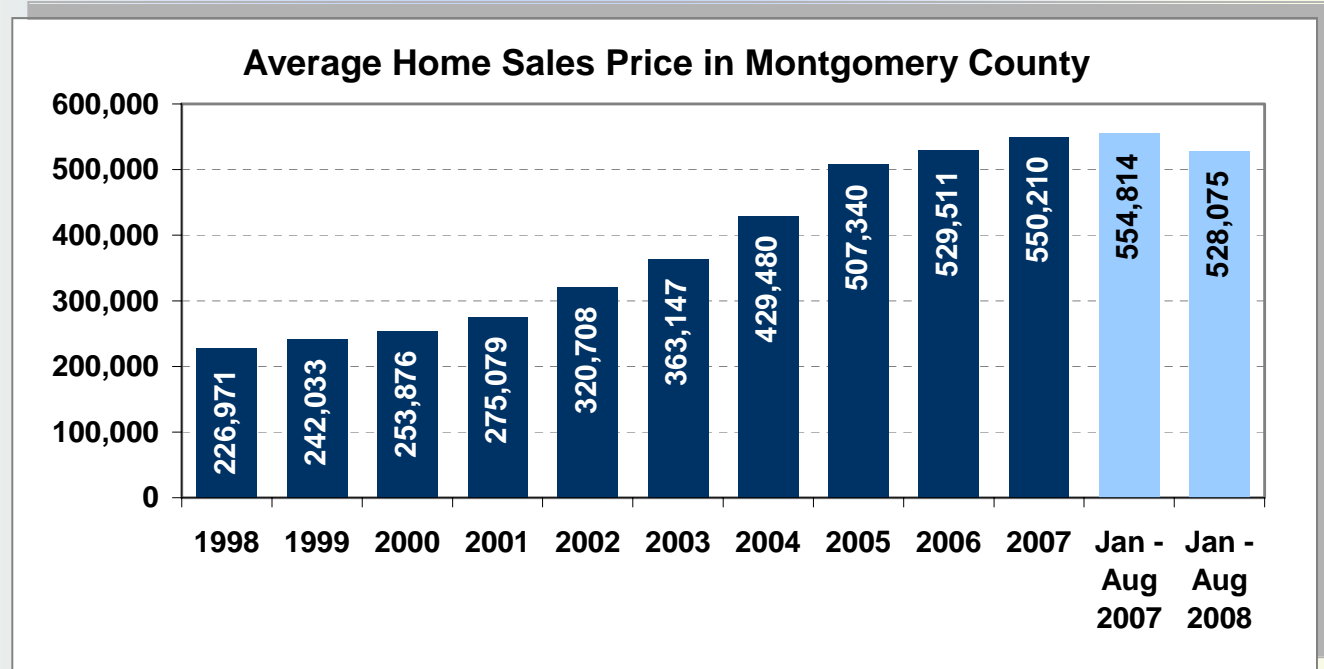
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Source: Montgomery County, Department of Finance.

Housing - Home Sales Price

- ✓ Home prices continue to weaken (↓5% from Jan. to Aug. 2007 to the same period in 2008)
- ✓ Housing futures anticipate an additional 10 to 15 percent decrease over the next 12 months



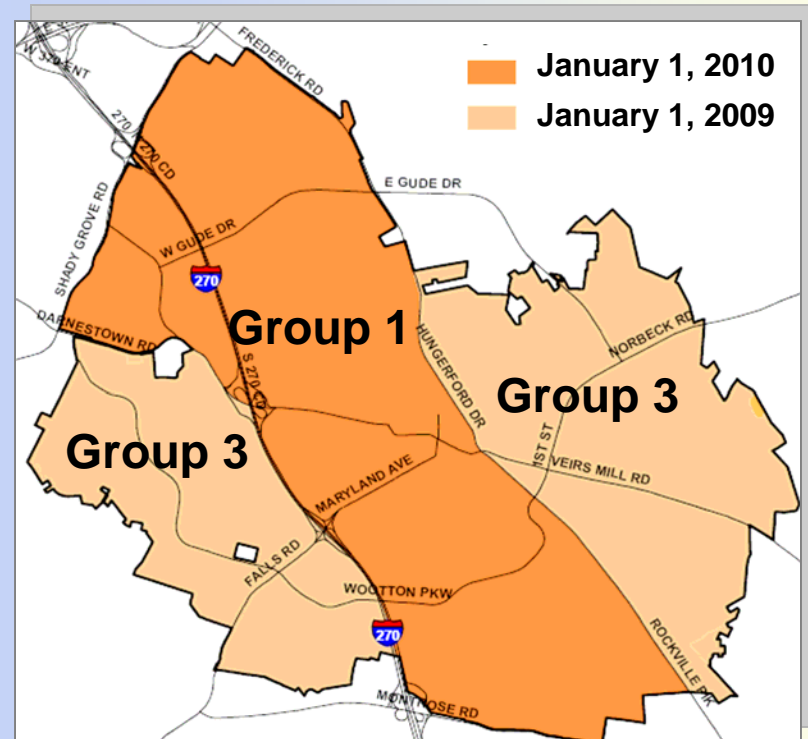
Source: Montgomery County, Department of Finance.

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Property Reassessments

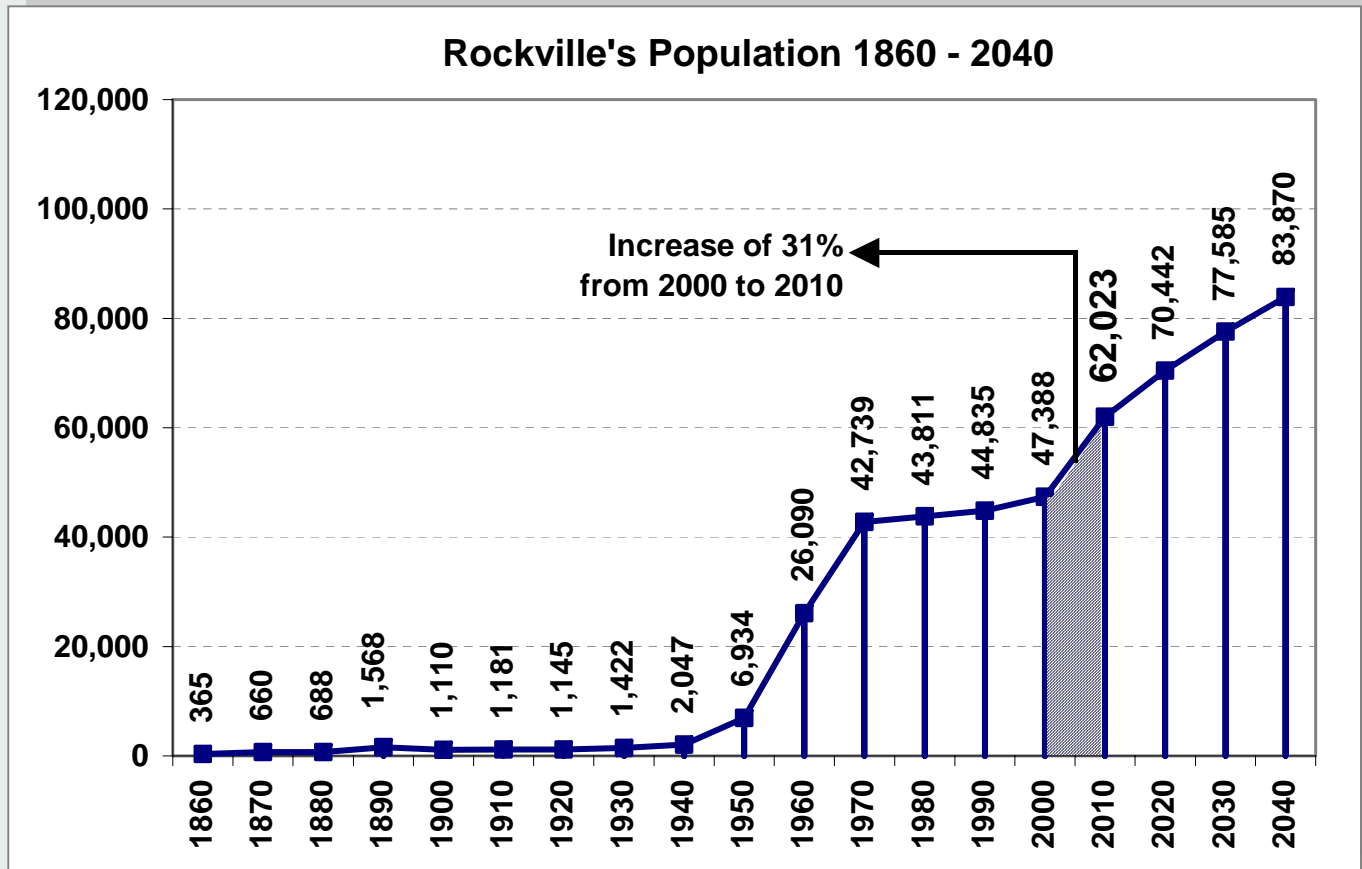
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- ✓ City of Rockville properties are reassessed every three years
- ✓ Increases are phased in over a three year period
- ✓ Decreases take effect in the first year
- ✓ Property owners can appeal reassessments each year



Rockville's Population

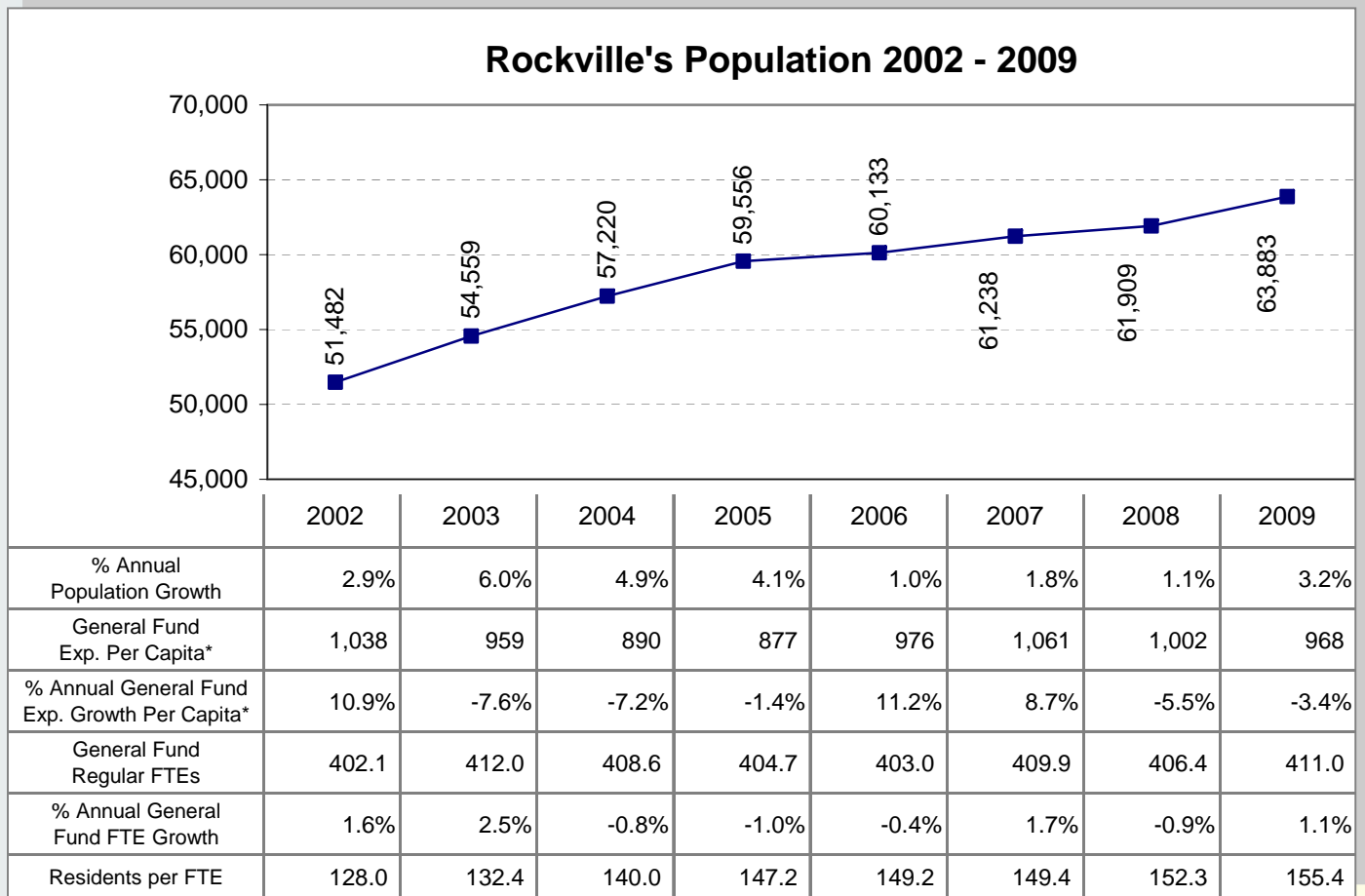
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Source: City of Rockville, Department of Community Planning and Development Services.

Rockville's Population & General Fund

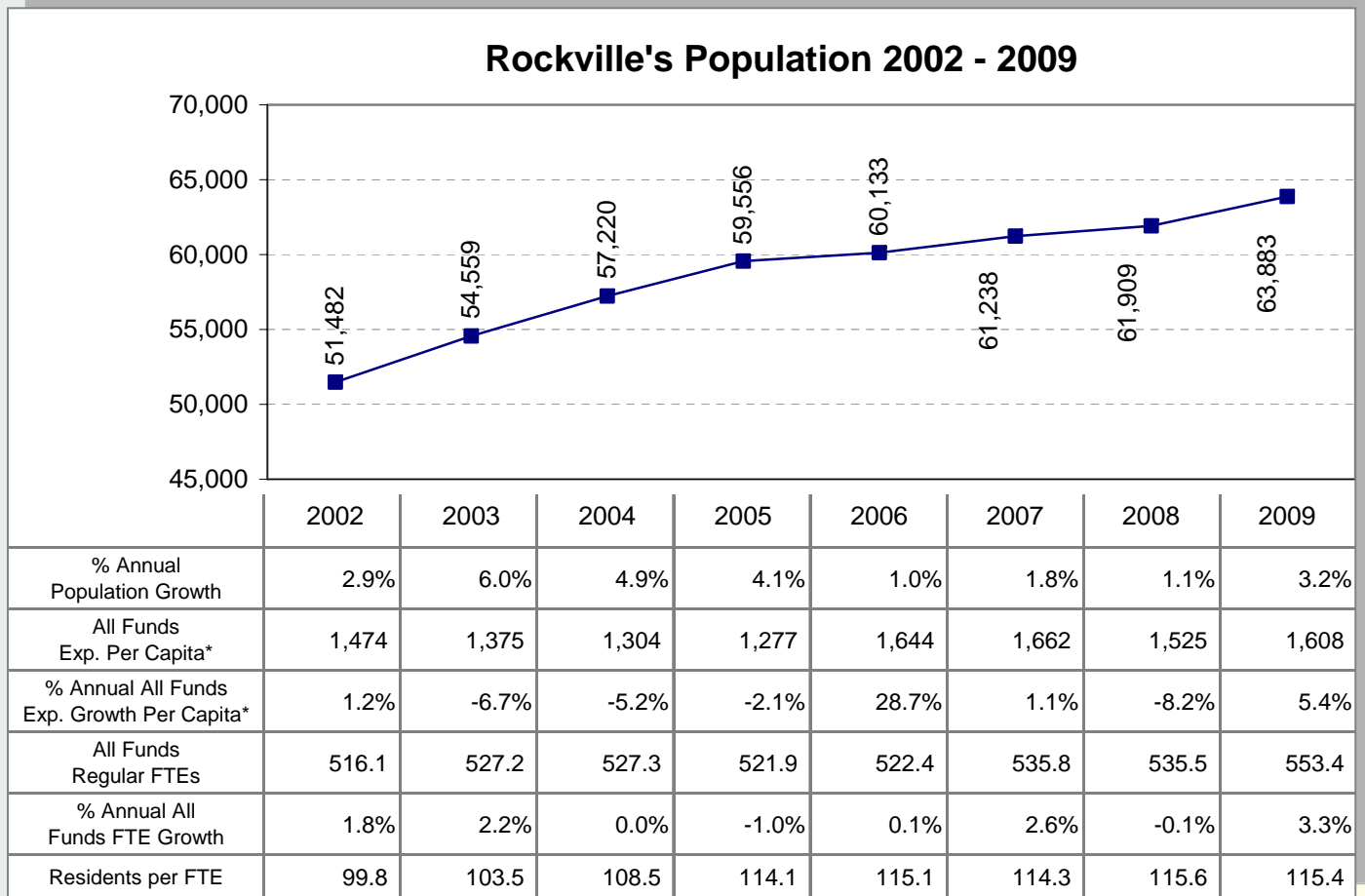
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* General Fund expenditures per capita from 2002 through 2007 are adjusted to reflect 2008 dollars.

Rockville's Population & All Funds

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* All Funds expenditures per capita from 2002 through 2007 are adjusted to reflect 2008 dollars.

General Fund



6/30/07 Fund Balance	15,666,993
<u>Increase (Decrease)</u>	<u>(603,897)</u>
6/30/08 Fund Balance	15,063,096

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- ✓ **Estimated General Fund Budget: \$63.9 million, 3.4% increase over adopted FY 2009**
- ✓ **FY 2010 revenues are estimated conservatively to ensure that sufficient revenues are available throughout the year**
- ✓ **Major sources of General Fund revenue**
 - **Property Taxes: \$35.3 – 35.8 million (includes real tax rate of \$0.292 and personal tax rate of \$0.805, expanded HTC, \$100 one-time credit)**
 - **Income Taxes: \$9.3 – 10.6 million**
 - **Highway User: \$2.5 – 3.0 million**
 - **Tax Duplication: \$1.1 – 2.2 million**
 - **Hotel Tax: \$800,000 – \$1.0 million**

General Fund



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- ✓ **State of Maryland and Montgomery County budget shortfalls may have a significant impact on the City's share of:**
 - Highway User Revenue
 - Tax Duplication
 - General County Grants
 - General State Grants
 - Police Protection Grant
 - Program Open Space (CIP budget)

- ✓ **Recent economic downturn may have a significant impact on:**
 - Highway User Revenue
 - Hotel Tax Revenue
 - Income Tax Revenue
 - FY10 and Future Property Tax Revenue

General Fund



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- ✓ **FY 2010 Expenditure needs:**
 - **Maintain program and service levels**
 - **Continue to implement M&C priorities**
 - **Address Citizen Survey priorities**
 - **Invest in infrastructure (additional infrastructure and maintaining existing infrastructure)**
 - **Fund commodity and supply increases**
 - **Provide competitive salary and benefit compensation (COLA, merit, pay-for-performance)**
 - **Contribute to retiree health care costs (GASB 45)**

General Fund



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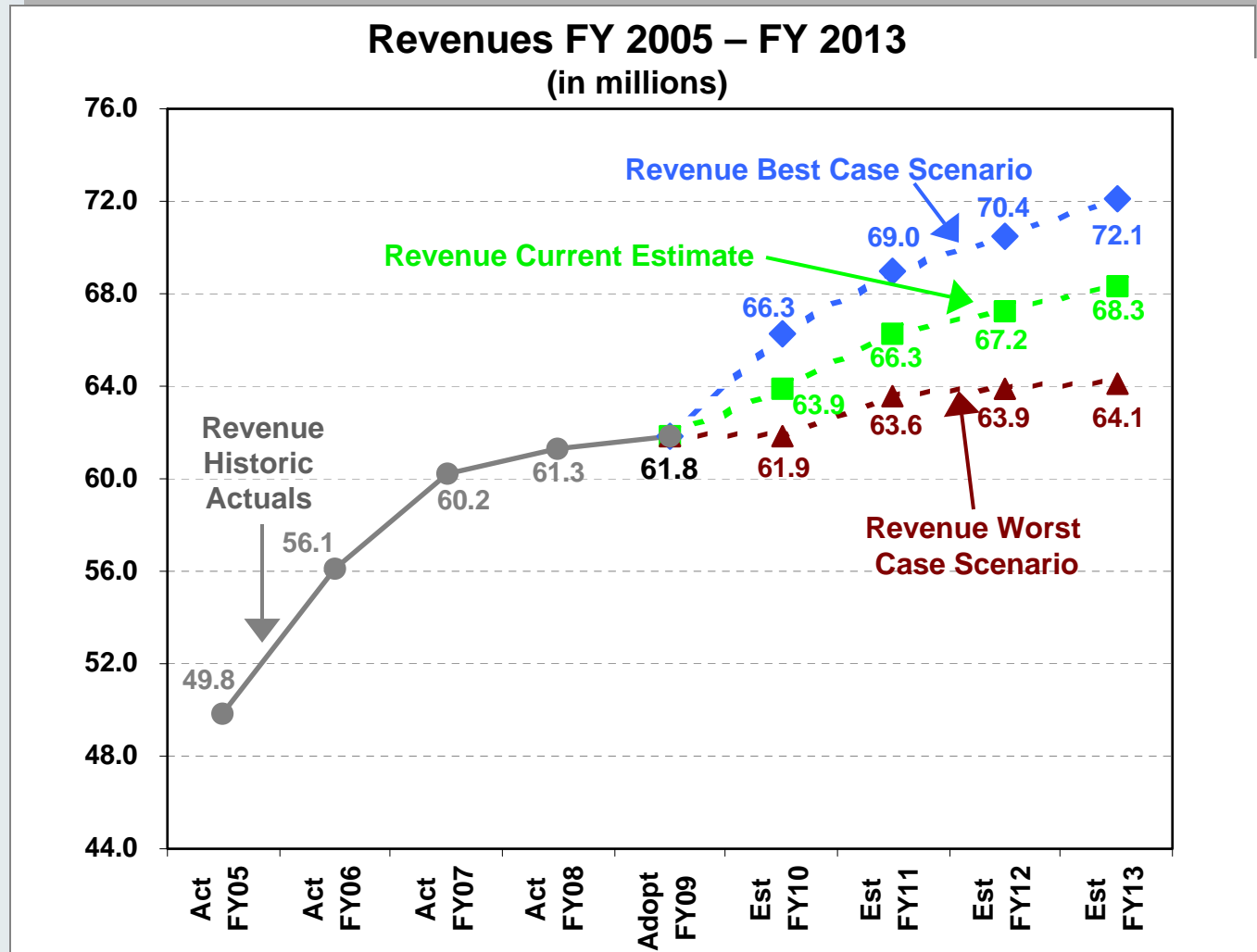
- ✓ **FY 2010 Expenditure needs:**
 - **Transfer a minimum of \$4.5 million to the CIP or rebalance FY 2010 CIP appropriations**
 - **Fund \$370,000 in operating costs impacts from the FY 2009 CIP projects**
 - **Assist with annual deficit in the Parking Fund**
 - **Outside Agency requests:**
 - **Outside agency requests are considered by a special Committee through a competitive review process**
 - **Committee makes recommendations to the City Manager based on the resources available and number of residents served**
 - **FY 2009 contribution to outside agencies totaled \$1.2 million (pg 13-42 and 14-3)**

General Fund



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Increase (Decrease)	(603,897)
6/30/08 Fund Balance	15,063,096

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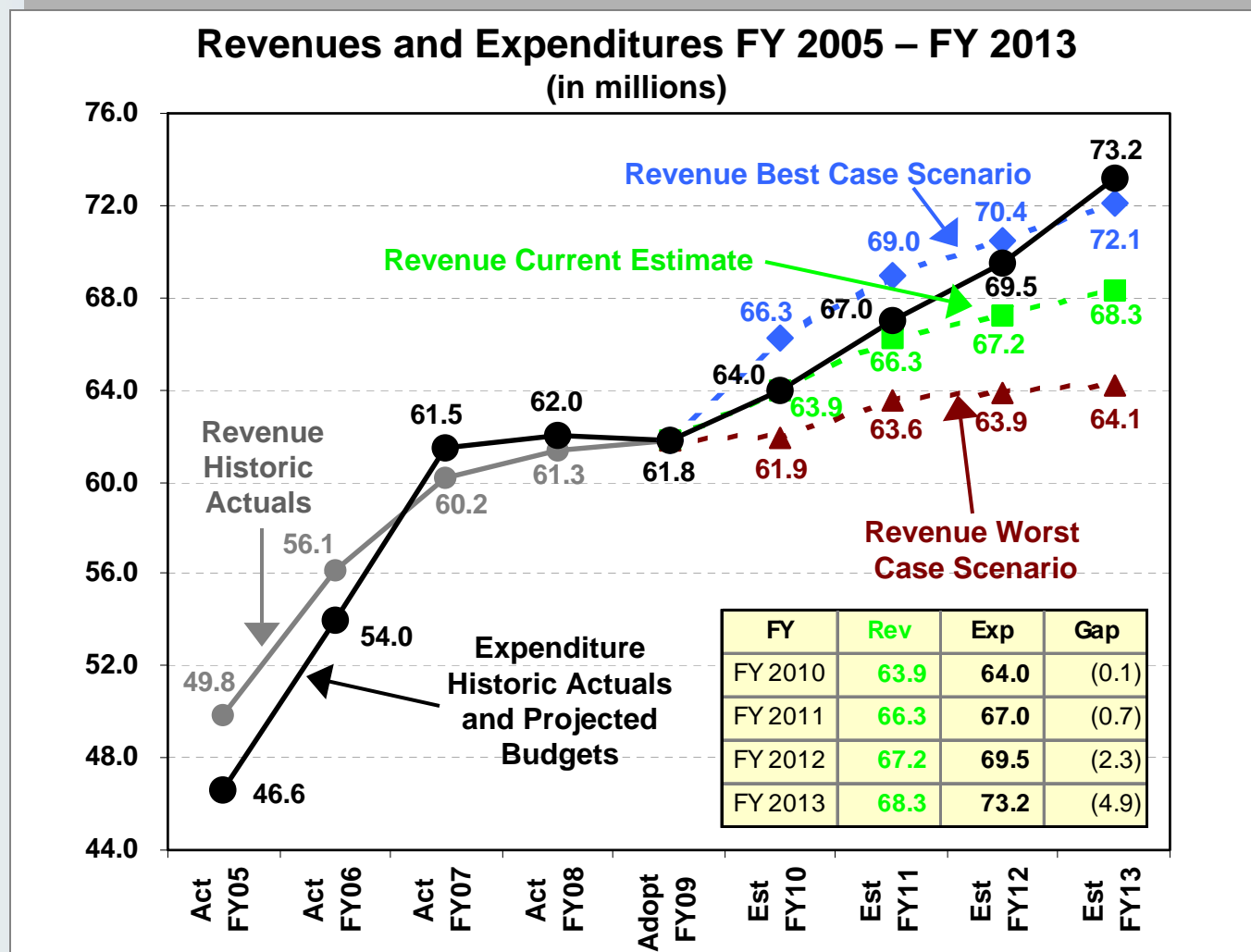
Source: City of Rockville, FY 2009 Adopted Operating Budget, General Fund 5-Year Forecast, adjusted for current economic conditions.

General Fund



6/30/07 Fund Balance 15,666,993
Increase (Decrease) (603,897)
 6/30/08 Fund Balance 15,063,096

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Source: City of Rockville, FY 2009 Adopted Operating Budget, General Fund 5-Year Forecast, adjusted for current economic conditions.

Water Fund



6/30/07 WC Balance	(240,576)
<u>Increase (Decrease)</u>	<u>(1,566,784)</u>
6/30/08 WC Balance	(1,807,360)

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- ✓ **FY 2010 proposed rates continue with the three-tiered structure and will increase by 25%**

Usage	FY 2008	FY 2009	FY 2010
Per 1,000 gallons for the first 12,000 gallons per qtr	\$ 1.78	\$ 2.23	\$ 2.78
Per 1,000 gallons for the next 12,000 gallons per qtr	\$ 2.56	\$ 3.20	\$ 4.00
Per 1,000 gallons for usage over 24,000 gallons per qtr	\$ 2.75	\$ 3.44	\$ 4.30

- ✓ **Increase is needed to pay for infrastructure improvements**
- ✓ **Major water rehabilitation program was approved by the M&C and is currently underway**
- ✓ **FY 2009 bond issue of \$13.5 million supported water CIP projects; no bond issue in FY 2010**
- ✓ **Ready-to-serve charge will increase by 3% and is equally distributed to both Water and Sewer funds**

Sewer Fund



6/30/07 WC Balance	2,939,900
<u>Increase (Decrease)</u>	<u>1,977,774</u>
6/30/08 WC Balance	4,917,674

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✓ **FY 2010 proposed charge equals \$4.12 per 1,000 gallons**

	FY 2008	FY 2009	FY 2010
Sewer Rate per 1,000 gallons	\$ 3.82	\$ 3.97	\$ 4.12

- ✓ **Increase of \$0.15 or 3.8%**
- ✓ **No bond issue in FY 2010**
- ✓ **Ready-to-serve charge will increase by 3% and is equally distributed to both Water and Sewer funds**

Meter	FY 2008	FY 2009	FY 2010
5/8"	\$ 6.00	\$ 6.18	\$ 6.37
3/4"	\$ 9.00	\$ 9.27	\$ 9.56
1"	\$ 15.00	\$ 15.45	\$ 15.93
1 1/2"	\$ 30.00	\$ 30.90	\$ 31.85
2"	\$ 48.00	\$ 49.44	\$ 50.96
3"	\$ 96.00	\$ 98.88	\$ 101.92
4"	\$ 150.00	\$ 154.50	\$ 159.25
6"	\$ 300.00	\$ 309.00	\$ 318.50
8"	\$ 480.00	\$ 494.40	\$ 509.60
10"	\$ 720.00	\$ 741.60	\$ 764.40

Refuse Fund



6/30/07 WC Balance	903,618
Increase (Decrease)	3,183,694
6/30/08 WC Balance	4,087,312

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- ✓ FY 2010 proposed rate is based on a semi-automated once per week refuse and recycling program
- ✓ The refuse rate will remain at \$32.70 per month for FY 2010

	FY 2008	FY 2009	FY 2010
Refuse Rate per Household per Month	\$ 32.70	\$ 32.70	\$ 32.70

- ✓ The semi-automated once per week system provides reduced operating expenses

Parking Fund



6/30/07 WC Balance	5,121,279
Increase (Decrease)	(673,372)
6/30/08 WC Balance	4,447,907

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- ✓ Parking District tax rate for FY 2010 will continue at \$0.30 per \$100 of assessed value

	FY 2008	FY 2009	FY 2010
Parking District Tax Rate	\$ 0.30	\$ 0.30	\$ 0.30

- ✓ Current rate is \$1.00 per hour for parking Monday through Friday, 7:00am - 7:00pm
- ✓ FY 2009 budget includes a transfer of \$950,000 from the General Fund to help with Parking Fund deficit
- ✓ Pending the Mayor and Council's decision regarding hours and days to charge for parking, the amount of this transfer could be reduced for FY 2010

SWM Fund



6/30/07 WC Balance	8,102,590
<u>Increase (Decrease)</u>	<u>(741,907)</u>
6/30/08 WC Balance	7,360,683

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- ✓ **SWM Utility Fee will begin in FY 2010 (deferred by M&C in FY 2009) and will provide a dedicated funding source for:**
 - **SWM facility and storm drainage maintenance**
 - **Stream restoration**
 - **Improvements to meet Federal water quality requirements**
- ✓ **Recommended fee will be a fixed fee per Equivalent Residential Unit (“ERU”)**
- ✓ **Starting with the FY 2009 budget, all SWM related costs in the General Fund were transferred to the SWM Fund**
- ✓ **4.0 new positions will be needed to fully implement the program starting in FY 2010**

RedGate Golf Fund



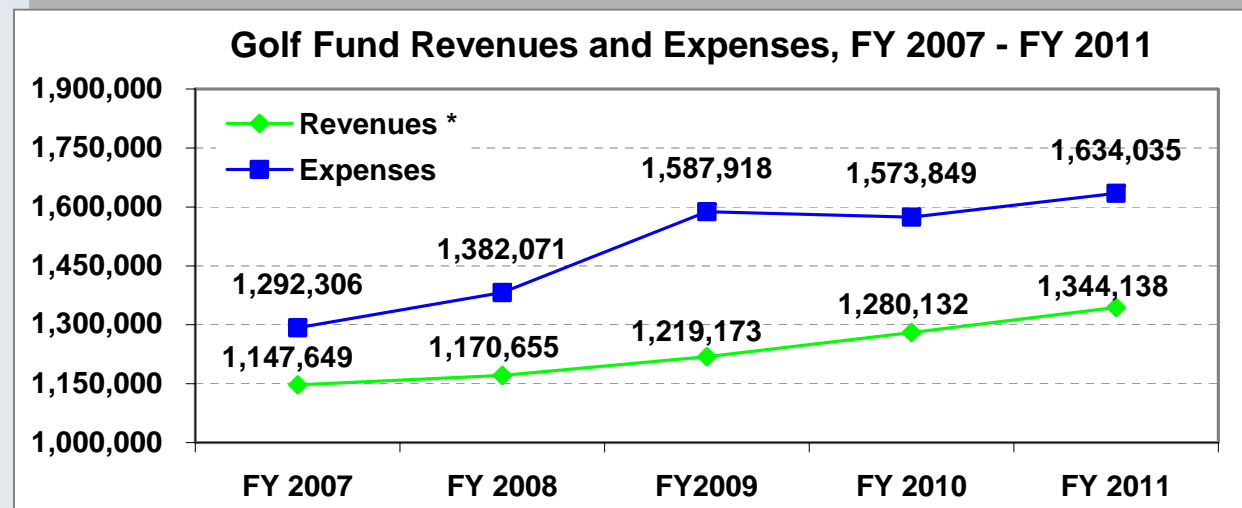
6/30/07 WC Balance	(749,503)
Increase (Decrease)	(77,164)
6/30/08 WC Balance	(826,667)

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- ✓ FY 2010 is the 4th year of a 5-year business plan
- ✓ Included in the FY 2007, 2008, 2009 revenue budgets are General Fund transfers (\$372,500)

	FY 2007	FY 2008	FY 2009
General Fund Transfer	\$ 114,500	\$ 165,000	\$ 93,000

- ✓ Golf revenues are estimated to increase each year by 5% starting in FY 2010



* Revenues do not include the General Fund transfers as listed above.

TCMD Fund



6/30/07 Fund Balance	(30,643)
<u>Increase (Decrease)</u>	<u>(424,023)</u>
6/30/08 Fund Balance	(454,666)

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- ✓ Staff will evaluate the assessed values of the properties within Town Square in order to develop the tax rates
- ✓ Rates will be set to cover the proposed expenditure budget for the Town Center Management District (TCMD)
- ✓ FY 2009 special district tax rates are:
 - Town Square Street and Area Lighting District: \$0.105 per \$100 of assessed value
 - Town Square Commercial District: \$1.20 per \$100 of assessed value
- ✓ TCMD Division will move from CPDS to R&P in FY 2010

Speed Camera Fund



6/30/07 Fund Balance	-
<u>Increase (Decrease)</u>	<u>2,536,398</u>
6/30/08 Fund Balance	2,536,398

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- ✓ For FY 2010, an estimated 10,000 citations will be paid per month generating net revenue (gross revenue less payment to ACS) of \$2.85 million
- ✓ According to State law, this revenue is not available for general City operations
- ✓ Because the funds are restricted, staff recommends the revenues be used for related operating expenses and the following CIP projects:
 - Street Lighting Improvements
 - Pedestrian Safety
 - Pedestrian Bikeway Systems Improvements

CIP Budget

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- ✓ **FY 2010 new appropriations are estimated to equal \$34.9 million for all funds**
- ✓ **Current projections include a \$4.5 million transfer from the General Fund**
- ✓ **In Sept. 2009, the City will sell approx. \$10 - \$14 million in bonds to fund the Police Station and the Gude Drive Maintenance Facility**
- ✓ **Program Open Space funding will likely be reduced (currently budgeted at \$200,000 for the Senior Center and \$300,000 for the Pumphouse)**

Fund	New FY 2010
Capital Projects	\$ 17,998,880
Parking	\$ 12,485
RedGate Golf	\$ 20,550
Refuse	\$ 184,850
Sewer	\$ 3,911,312
Speed Camera	\$ 795,000
Stormwater Mgmt	\$ 717,733
Water Fund	\$ 11,232,349

CIP Prioritization

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- ✓ In FY 2009, the City initiated a new process to prioritize CIP projects based on the priorities of the M&C and needs of the community
- ✓ Prioritization process will continue in FY 2010
- ✓ Up to 100 points will be awarded to projects under the following categories:
 - M&C Vision (0 to 26)
 - Facilities and Infrastructure (0 to 22)
 - Environment and Safety (0 to 20)
 - Budget and Legal - includes Master Plan (0 to 25)
 - Other (0 to 7)
- ✓ Prioritization committee will recommend projects to be funded to the City Manager

Department Reports – PART I

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- ✓ **Recreation and Parks**
- ✓ **Police**
- ✓ **Community Planning and Development Services**
- ✓ **Information and Technology**